

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: NARRAGANSETT ELECTRIC COMPANY :
d/b/a NATIONAL GRID’S REQUEST FOR APPROVAL :
OF STORM FUND REPLENISHMENT – : **DOCKET NO. 4686**
CONTINUATION OF RECOVERY FACTORS :

ORDER

On March 12, 2021, The Narragansett Electric Company d/b/a National Grid (National Grid or Company) filed a petition with the Public Utilities Commission (Commission) requesting that it be allowed to continue to recover from customers (1) \$3,000,000 annually in base distribution rates and (2) approximately \$20,000,000 annually from the existing Storm Fund Replenishment Factor (SFR) for deposit into the Storm Contingency Fund (Storm Fund).¹ These funding sources were approved on June 21, 2017,² and were designed to reduce a then \$94.2 million under-recovery in the Storm Fund and were set to expire on March 31, 2021 and June 30, 2021, respectively. The above funding sources coupled with approximately \$4,300,000 of annual funding authorized in Docket 4770 provide total annual contributions to the Storm Fund of approximately \$27.3 million.³

¹ Pet. (Mar. 12, 2021); National Grid’s Storm Fund was first authorized by the Commission in 1982, as a rational and equitable approach to the problem of extraordinary storm costs, without the need for rate surcharges or filings for periodic rate relief. (Order No. 40654). For nine years, from 1982 through 1996, Narragansett Electric’s Storm Fund was in a deficit position, caused by service restoration costs from Hurricane Gloria in 1985 and Hurricane Bob in 1991. (Order 15360). Therefore, in 1996, in Docket No. 2509, the Commission initiated a comprehensive review of storm contingency funds for the then-existing five Rhode Island electric utilities. (Order No. 15360). The Commission’s objective was to fund reserves for extraordinary storm-related costs through an annualized funding mechanism, to provide rate stability while funding storm restoration costs. The Storm Fund operated as intended and in 2010, had a positive balance leading the Commission to suspend additional funding. (Order No. 19965A). At that time, ratepayers realized the positive benefit of the carrying charges. Unfortunately, commencing in 2012, as a result of an increased number of qualifying storms, the balance was reversed, and the fund has been consistently underfunded. (Order No. 23582).

² Order No. 23582 (May 14, 2019); http://www.ripuc.ri.gov/eventsactions/docket/4686-NGrid-Ord23582_5-14-19.pdf.

³ Docket 4770 Order Page 21. [http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20\(5-5-20\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4770-4780-NGrid-Ord23823%20(5-5-20).pdf).

In its petition, National Grid noted that since approval of these funding sources, the Storm Fund has not stabilized, but has continued to grow a deficit balance. As of March 2021, the negative balance in the Storm Fund exceeded \$115 million. The Storm Fund balance is a ratepayer responsibility which accrues carrying charges in the form of interest. According to National Grid, allowing these funding sources to continue would lower costs for customers by reducing carrying costs on the Storm Fund deficit balance and, consequently, by providing interest savings. National Grid represented that the Division of Public Utilities and Carriers (Division) supported the proposal which would not change current rates.⁴

On March 23, 2021, the Division filed a Memorandum summarizing and supporting the request for continued funding. The Division noted that continuation of the funding streams will not affect current rates and that a reduction in rates now would only lead to higher rates with higher carrying charges in the future. The Division indicated that any continuation beyond the current multi-year rate plan can be considered as part of the Company's next general rate filing and subject to an in-depth review of the appropriate funding level.⁵

At an Open Meeting held on March 29, 2021, after review of the petition and responsive pleading, the Commission approved National Grid's request to continue the Storm Fund recovery funding sources as referenced in the petition. However, the tariff was approved with modification that National Grid shall delete reference to expiration date contained in the tariff provision and amend language to reflect that "the provisions of the tariff will remain in effect until terminated or revised by the Commission from time to time."

⁴ Pet. at 3-5; [http://www.ripuc.ri.gov/eventsactions/docket/4686-NGrid-SFRF%20Petition%20\(PUC%203-12-21\).pdf](http://www.ripuc.ri.gov/eventsactions/docket/4686-NGrid-SFRF%20Petition%20(PUC%203-12-21).pdf).

⁵ Div. Mem. (Mar. 23, 2021); <http://www.ripuc.ri.gov/eventsactions/docket/4686-Division-Memo%203-24-21.pdf>.

When the Commission approved these funding sources, National Grid had represented that success of the plan to eliminate the negative Storm Fund balance by June 30, 2021 would depend on no additional qualifying storms. Since that December 29, 2016 filing, however, National Grid has reported on twenty-seven qualifying storms in their annual storm reports, resulting in the current \$115 million deficit balance, even with the recovery factors.⁶ The Commission is concerned with the magnitude of the balance in the Storm Fund and the insufficiency in the rate allowance designed to pay down the balance and storm activity. The Commission will schedule a technical session with the Company and Division to examine other ways of addressing this concern.

Accordingly, it is hereby,

(24086) ORDERED:

The Narragansett Electric Company d/b/a National Grid is authorized to continue to recover from customers (1) \$3,000,000 annually in base distribution rates and (2) approximately \$20,000,000 annually from the existing Storm Fund Replenishment Factor for deposit into the Storm Contingency Fund.

⁶ All storm report filings may be accessed at: <http://www.ripuc.ri.gov/eventsactions/docket/2509page.html>.

EFFECTIVE AT WARWICK, RHODE ISLAND, ON APRIL 1, 2021, PURSUANT TO AN OPEN MEETING DECISIONS ON MARCH 29, 2021. WRITTEN ORDER ISSUED JULY 12, 2021.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairperson



Abigail Anthony, Commissioner

*Marion S. Gold, Commissioner

*Commissioner Gold concurred with the decision but is unavailable for signature.

Notice of Right of Appeal: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the Commission may, within 7 days from the date of the Order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or Order.